

[4310-MR-P]

DEPARTMENT OF THE INTERIOR .

Minerals Management Service, Interior.

Agency Information Collection Activities: Proposed  
Collection; Comment Request

AGENCY: Minerals Management Service, DOI

ACTION: Notice of Information Collection Solicitation.

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**SUMMARY:** Under the Paperwork Reduction Act of 1995, the Minerals Management Service (MMS) is soliciting comments on an information collection using an optional electronic spreadsheet to simplify creation of the Form MMS-2014 when reporting purchases of the Government's royalty oil.

**DATES:** Written comments should be received on or before (please enter date 60 days from publication date).

**ADDRESSES:** Comments sent via the U.S. Postal Service should be sent to Minerals Management Service, Royalty Management Program, Rules and Publications Staff, P.O. Box 25165, MS 3021, Denver, Colorado 80225-0165; courier address is Building 85, Room A613, Denver Federal Center, Denver, Colorado 80225; e:mail address is David\_Guzy@mms.gov.

**FOR FURTHER INFORMATION CONTACT:** Mr. Lawrence K. Barker at (303) 231-3157.

**SUPPLEMENTARY INFORMATION:** In compliance with the Paperwork Reduction Act of 1995, Section 3506 (c) (2) (A), we are notifying you, members of the public and affected agencies, of this collection of information, including a newly-developed electronic spreadsheet. On September 3, 1998, OMB emergency approval was granted for MMS to provide, for optional use, an electronic spreadsheet to simplify required submission by industry of payment and other data associated with royalty production purchased from MMS (OMB Control Number 1010-0118). This spreadsheet can also prepare data in a form acceptable to the State of Wyoming (State) on the State RIK production jointly sold with Federal production. The publication of this Notice has been timed to coincide with your use of the new spreadsheet so that you can provide feedback to MMS on your experience using the spreadsheet to report Federal production. Two examples of how the spreadsheets look are attached for use of possible future purchasers of MMS' RIK production who are not now reporting RIK purchases. Specifically, MMS would like to know--(a) Is using the spreadsheet easier and more efficient than preparing a manual Form MMS-2014? (b) Is this information collection necessary for us to properly do our job? (c) Have we accurately estimated the industry burden for

responding to this collection? (d) If not, please explain.

(e) Can we enhance the quality, utility, and clarity of the information we collect?

The Secretary of the Interior is responsible for the collection of royalties from lessees producing minerals from leased Federal lands. The Secretary is required by various laws to manage the production of mineral resources on Federal onshore and offshore leases and agreements, to collect the royalties due, and to distribute resulting revenues in accordance with those laws.

MMS performs the royalty management functions for the Secretary. Most royalties are now paid in-value--when a company or individual enters into a contract to develop, produce, and dispose of minerals from Federal lands, that company or individual agrees to pay the United States a share (royalty) of the full value received for the minerals taken from leased lands. MMS uses an automated fiscal accounting system, the Auditing and Financial System (AFS), to account for revenues collected from Federal leases/agreements. The Report of Sales and Royalty Remittance, Form MMS-2014, is the only document used for reporting royalties paid in-value and other lease-related financial transactions to MMS. The AFS relies on data

reported by payors on Form MMS-2014 for the majority of its processing.

In addition to accounting for royalties reported by payors, the AFS, using Form MMS-2014 information, performs numerous other functions. These functions include monthly distribution of mineral revenues to State and General Treasury accounts; providing royalty accounting and statistical information to States and others who have a need for such information; and identifying under-reporting and nonreporting so MMS can promptly collect revenues. Sales and royalty information gathered through the AFS is compared with production data collected by an MMS automated production accounting system--the Production Accounting and Auditing System (PAAS). This AFS/PAAS comparison of reported sales with reported production provides MMS with the ability to corroborate reported production volumes to help verify that the proper royalties are being collected.

The MMS has begun the first of three pilot programs to study the feasibility and cost/effectiveness of taking the Government's oil and gas royalties in-kind (RIK), that is, as a share of production rather than an in-value payment. Successful bidders who entered into RIK contracts with MMS pursuant to an Invitation for Bids (IFB) published July 1,

1998 are taking federal royalty oil beginning October, 1998. The contracts require purchasers of royalty oil to make payment to MMS for the royalty oil and report payments and related data. The first payments and reports are due by November 30, 1998.

Since RIK pilot purchasers will not need to use the full range of reporting instructions and methods on Form MMS-2014, MMS has made available at no cost an electronic spreadsheet to more simply create electronic Form MMS-2014. The purchaser has the choice of reporting either (1) through use of the spreadsheet (which will electronically generate a Form MMS-2014 for MMS) (2) on a hard copy Form MMS-2014, or (3) through a company's own MMS-compatible automated reporting systems (which a number of present in-value royalty reporters currently use).

Before providing to purchasers, MMS will enter into each purchaser's copy of the spreadsheet the following reference data needed by MMS to identify and account for purchasers' reports of payment for royalty production purchased from those properties for which that purchaser was the successful bidder-- lease number, royalty rate, property name, total property volume, percent allocated to Federal ownership, percent allocated to fee or State ownership and what percent of total property volume a particular lease represents.

The purchaser will, on its monthly Form MMS-2014, subsequently enter for the entire property (1) RIK volumes purchased, (2) the unit price, (3) total value, and (4) quality value. If reference data items such as royalty rate should change, purchasers would update the electronic spreadsheets for continued (always optional) use based on information obtained from lessees/operators and MMS personnel.

If purchasers need to amend an initial Form MM-2014 report, they will have the choice of doing so either by entering changes manually on a hard-copy Form MMS-2014 or by using MMS's established electronic reporting process.

The State has participated in planning the first (Wyoming) pilot and may offer royalty oil from its properties along with Federal lease/agreements in a second IFB. Therefore, MMS designed the spreadsheet to accommodate payments to both MMS and the State.

MMS has chosen to defer development of a permanent form for reporting of the purchase of RIK production until MMS has gained the benefit of experience from the RIK pilots. If adapting the Form MMS-2014 for simplified use is effective for the 1- to 3-year period represented by the Wyoming crude oil RIK pilot, then MMS plans to continue use of this approach through the second RIK pilot (limited to

gas from Texas 8(g) zone) and the third RIK pilot (larger volumes of gas from wider areas of the Gulf of Mexico Region). Adapting for use the existing Form MMS-2014 has the advantage of still meeting MMS' needs to properly distribute funds, carry out the AFS/PAAS comparison, and provide information to the State about its share of payments distributed from Federal revenues.

This collection represents a significant net reduction in burden. While a few new companies may report, the overall number of respondents is greatly reduced. This is because only one purchaser need report one or two lines of data aggregating volumes from a multi-lease property, rather than multiple lessee/producers each reporting at the detailed sub-lease level that in-value royalty payments would require for the same properties. The electronic spreadsheets allocate data needed by MMS automatically to sub-lease levels on the Form MMS-2014, reducing complexity of reporting. We estimate that the time required to prepare and submit this information is about 2 minutes per line monthly.

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Date

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Associate Director  
for Royalty Management